Newfoundland Labrador

Department of Finance

Newfoundland and Labrador Municipal Financing Corporation

Activity Plan

April 1, 2011 – March 31, 2014

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NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION

P. O. Box 8700
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June 30, 2011

Honourable Thomas W. Marshall, QC
Minister of Finance
Government of Newfoundland and Labrador
Confederation Building
St. John's, NL
Canada A1B 4J6

Dear Minister Marshall:

Newfoundland and Labrador Municipal Financing Corporation is a Crown Corporation established to consolidate the long-term borrowing programs of all municipalities in one central agency. Pursuant to the provisions of the *Transparency and Accountability Act*, the Board of Directors is accountable for the preparation of an Activity Plan and the achievement of the Plan's goals and objectives. As this Corporation is in the process of being wound up and is no longer transacting new business the Strategic Directions of the Minister of Finance are not considered applicable to its operations.

As Chairman of the Board, it is my pleasure to submit the Activity Plan covering the three year period from April 1, 2011 to March 31, 2014.

Sincerely,

Terry Paddon
Chairman of the Board

Activity Plan

1.0 Overview

The Newfoundland and Labrador Municipal Financing Corporation ("NMFC") was established in 1964 and operates pursuant to the provisions of the *Municipal Financing Corporation Act*. NMFC operates with a March 31 fiscal year end and the results of its activities are fully consolidated in the Province's annual financial statements.

2.0 Mandate

NMFC was established to consolidate the long-term borrowing programs of all municipalities in one central Crown agency. The proceeds of these borrowings were then used to provide long-term financing to meet the capital requirements of municipalities. As most municipal projects were cost shared with the Province, the financing provided was recovered partially from the municipality with the balance, representing the Province's share, paid by the Department of Municipal Affairs.

However, NMFC's mandate and role evolved over time to a situation whereby most municipalities were capable of financing their capital programs independently through financial institutions, primarily banks. NMFC continued to borrow to provide financing for the Provincial share of capital projects for a period of time but, in 2005-06, Government decided it would no longer finance its portion of municipal capital projects but would fund it directly through annual budgetary allocations. Consequently, NMFC discontinued its capital markets borrowing program and will wind up operations when it collects its outstanding loans receivable and repays its outstanding debenture debt. All wind up activities will be conducted on a basis that is consistent with the Department's values.

3.0 Primary Clients and Stakeholders

The Board's primary responsibility is to government by carrying out functions related to the wind up of operations.

4.0 Support of Vision and Mission of Department

The vision of the Department of Finance is of a vibrant and self-reliant economy and prosperous people. This is supported by the NMFC. The mission of the Department of Finance is to support Government in its commitment to fiscal sustainability and a healthy economy for the Province. By March 31, 2017, the NMFC will have continued to follow the mission of the department by supporting the province's fiscal management through the collection of outstanding loans receivable and the repayment of outstanding debenture debt.

5.0 Board Representation and Accountability

The affairs of NMFC are overseen by a Board of Directors appointed by the Lieutenant Governor in Council. All Board members are employees of the Province with the position of Chair held by the Deputy Minister of Finance. The Board meets no less often than annually and approves its Financial Statements and Annual Report, both of which are then tabled in the House of Assembly by the Minister of Finance. The current members of the Board and their positions are as follows:

Mr. Terry Paddon (Chair)
Deputy Minister of Finance

Mr. Brent Meade
Deputy Minister of Innovation, Trade and Rural Development

Ms. Sandra Barnes
Deputy Minister of Municipal Affairs

Mr. Robert Constantine
Assistant Deputy Minister
Taxation and Fiscal Policy Branch
Department of Finance

Mr. Paul Myrden (Secretary)
Director of Debt Management
Department of Finance

6.0 Sources of Funding

NMFC has traditionally been self supporting from a funding perspective, primarily through matching the terms of its borrowing program to the lending program for municipal capital works projects. NMFC has independent banking arrangements, including facilities to provide short-term financing of cash flow deficiencies and investment of temporary cash surpluses. The Corporation's day-to-day affairs are managed by employees of the Department of Finance and NMFC is billed quarterly by the Province for reimbursement of these expenses on a cost recovery basis.

7.0 Planned Payments and Collections

As a result of the long term nature of existing funding arrangements for capital works projects, the wind down of NMFC will take several years. The net amount of outstanding debenture debt as of March 31, 2011 was $80.4 million with maturities extending to March, 2020. Scheduled debt maturities and anticipated collection of loans receivable for the next three fiscal years are as outlined below.

8.0 Goal

By March 31, 2014, NMFC will have executed the collection of loans receivable and payment of debenture debt in accordance with the schedule of planned payments and collections as set out below:

Objective by Fiscal Year	Debt Maturities	Loan Collections
	($ thousands)	($ thousands)
2011-12	$ 25,116	$ 17,907
2012-13	19,816	16,602
2013-14	9,816	14,168

Measure: Net balances of outstanding loans receivable and debenture debt payable reduced by planned amounts.

Indicators:

- Net outstanding loans to municipalities reduced by $48,677,000.
- Net outstanding debenture debt reduced by $54,748,000.